

**Quiz # 10**  
**Chapter 14**  
**Suggested Answers**  
**Group 3**  
**Econometrics 06216**

Name \_\_\_\_\_

- Choose the most correct answer
  - You have 5 minutes to solve out this quiz
1. The difference between a logit and probit model is:
    - a. The estimation method.
    - b. The assumption on the error term behavior.**
    - c. There is no difference.
    - d. (a) and (b) are correct.
  
  2. Which of the following reasons make OLS an imperfect choice of an estimation method when the dependent variable is a dummy variable?
    - a. There will be a major heteroskedasticity problem.
    - b. If we interpret the fitted value of Y as the probability of the 1 outcome, then for some sets of explanatory variable values, this fitted probability will be either negative or greater than one.
    - c. The conditional distribution of the Y variable, given a particular set of X values, is a two-valued discrete distribution, not a continuous approximately normal distribution.
    - d. All of the above.**
  
  3. About a Logit/Probit model, we can affirm that:
    - a. Its dependent variable is not binary.
    - b. Its dependent variable could be either a dummy or a continuous one.
    - c. Could be estimated by MLE.**
    - d. None of the above
  
  4. Which of the following statements is true?. A linear probability model is one that:
    - a. Can be estimated by OLS.
    - b. Has constant marginal probabilities.
    - c. Might produce predictions of probabilities greater than 1 or less than 0.
    - d. All of the above.**
    - e. None of the above.
  
  5. A latent variable is:
    - a. A dummy dependent variable.
    - b. A dummy independent variable.
    - c. A variable we can observe.
    - d. A variable we cannot observe.**
    - e. A discrete dependent variable used in a maximum likelihood model.